How You Can Turn $100,000 Into $200,000

Description

You can turn $100,000 into $200,000, but how long will it take?

GICs are no good for doubling your money

The best five-year GIC rate is 2.2%. There's no risk in this investment, because you're guaranteed to get your principal back. In that sense, the 2.2% rate of return is not bad. However, according to the Rule of 72, it will take about 32.7 years to double your money. That's way too long.

GICs aren't a good way to make money. It's a good way to protect your capital and maintain your purchasing power, seeing as the Bank of Canada aims to keep the long-term inflation rate at about 2%.

The stock market could double your money faster!

The stock market's long-term rate of return is about 7%. The Rule of 72 approximates that for a 7% rate of return, it'll take about 10.3 years to turn $100,000 into $200,000.

If you're able to invest some money on market dips, you can boost your total returns substantially, assuming the market rebounds and eventually makes new highs, as it always has done in the past.

For example, if you'd invested in the Canadian stock market during the pandemic market crash last year, you could be sitting on price appreciation of more than 70% already in a little more than one year!

Stocks are typically viewed as much riskier investments than GICs. New investors could lose sleep over the stock volatility. Yet the real risk comes from the possibility of the loss of capital.

Short-term stock price movements are based on news and how most investors react. During the pandemic market crash, many investors sold stocks before business financial results were released. Investors were worried about the high uncertainties and the possibilities of companies making much less money or even operating at a loss.

However, many of the poorer results were temporary. And, in fact, some businesses performed even better during the pandemic. As long as investors held on to these stocks, which eventually rebounded, they wouldn't have lost any capital.

Canadian stocks with +7% returns

Here are some Canadian stocks that could potentially deliver returns of more than 7% annually over the next few years.

Enbridge stock yields about 6.75%, which means you'll get to the 7% threshold with price appreciation of only 0.25% a year. That's a low target and very achievable!

The Canadian banks rebounded strongly from the pandemic market crash. For instance, **National Bank of Canada** stock delivered total returns of close to 57% over the past 12 months, including price appreciation of about 50%. Obviously, do not expect that kind of return to be the norm for bank stocks. Normally, they would deliver long-term returns of 8-12% a year given you buy them at fair valuations.

Other than dividend stocks, you can also consider investing in growth stocks. In one year, **Lightspeed POS** stock tripled investors' money.

Foolish investor takeaway

You can turn $1,000 into $2,000, $10,000 into $20,000, and $100,000 into $200,000… The higher the rate of return you get on your investments, the sooner you can double your money. According to the Rule of 72, you can double your money in approximately 3.6 years on a 20% rate of return.

You can potentially get rates of returns of 20% from value or growth investing. You can aim to buy quality businesses when they're cheap (such as during market corrections) or wonderful businesses that are growing very fast, like Lightspeed and **Amazon**.

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